

# MONTHLY REVENUE REPORT

## February 2002

The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.49 billion in February, which was down 1.9% from last year's level. This marked the second month in a row that tax collections have fallen below their year-ago level. Taxes that experienced a decline in collections in February included the income, sales, single business, real estate transfer, and oil and gas severance taxes. These declines in tax collections were partially offset by increases in the use, State education property, insurance, and estate taxes. With one-third of FY 2001-02 now completed, the revenue collected from these major State taxes, on a fiscal year-to-date basis, is down 1.0%. Given that the revenue from these 12 major taxes is expected to be up 0.7% in FY 2001-02, based on the January 2002 consensus revenue agreement, tax collections are going to have to improve during the remainder of FY 2001-02 in order to reach this estimate.

Gross income tax revenue totaled \$491 million in February, which was down 4.7% from the February 2001 level. Gross income tax collections include the taxes collected through withholding, quarterly, and annual payments before any excess payments are refunded to taxpayers. Approximately 2.4% of the decline in February was due to the reduction in the tax rate, which was reduced from 4.2% to 4.1% on January 1, 2002. The decline in February's income tax collections marks the second consecutive month that these tax collections have fallen short of their year-ago level. So far in FY 2001-02, gross income tax collections are down 4.4%.

Sales tax revenue declined 5.0% in February to \$429 million. The decline would have been even more severe had it not been for continued strength in motor vehicle sales tax collections, which were up 7.4% for the month. While this increase in motor vehicle sales tax collections was well below the strong increases posted in the last few months, it nonetheless marked the fifth consecutive monthly increase in sales tax collections from motor vehicle sales. During this five-month period, which began in October 2001, sales tax collections from motor vehicle sales topped the year-ago level by 34.9%. This strength in sales tax collections from motor vehicle transactions has not been matched in other retail sales sectors. In February, sales tax collections from all nonmotor vehicle taxable retail sales were down 6.9%, which marked the fourth time in the past five months that these sales tax collections fell below their year-ago level. On a fiscal year-to-date basis, total sales tax collections are up 2.2%, and this increase is due to the recent surge in motor vehicle sales.

Single business and insurance tax collections totaled \$174 million in February, which represented a 5.1% decline from last year's level. This marked the 10<sup>th</sup> monthly decline in these business tax collections out of the past 12 months. This weakness in single business tax revenue has been due to a reduction in employment and average hours worked, and a decline in business profits, all of which are key components of the tax base. In addition, the rate of the single business tax is now down to 1.9% compared with 2.0% last year at this time. On a fiscal year-to-date basis, single business and insurance tax collections are down 9.4%.

Among some of the other major taxes, revenue topped the year-ago level for the State education property tax, up 8.6%; tobacco tax, up 6.9%; use tax, up 7.3%; and estate tax, up 11.7%. Tax revenue fell for the real estate transfer tax, down 7.7%; and the oil and gas severance tax, down 11.5%.

The table on the back of this report identifies the 12 major taxes included in this report, and provides their respective revenue levels and growth rates for February 2002, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the FY 2001-02 consensus revenue estimates.

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**MICHIGAN REVENUE UPDATE**  
**FEBRUARY 2002**  
(dollars in millions)

Type of Revenue	February Collections		FY 2001-02 to Date <sup>2)</sup>		FY 2001-02 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago
Income Tax						
Withholding	\$472.3	(4.7)%	\$2,227.7	(2.7)%	\$6,615.3	0.3%
Quarterly Payments	5.4	(12.9)	237.6	(18.9)	777.8	(0.6)
Annual Payments	13.2	0.0	36.0	5.3	688.8	(0.7)
Gross Income Tax	\$490.9	(4.7)%	\$2,501.3	(4.4)%	\$8,081.9	0.1%
Sales Tax	428.6	(5.0)	2,118.2	2.2	6,525.0	2.7
Motor Vehicles	65.5	7.4	328.5	30.8	----	----
All Other Sales Tax	363.1	(6.9)	1,789.7	(1.8)	----	----
Use Tax	97.4	7.3	440.2	12.6	1,405.0	5.4
Tobacco Tax	50.8	6.9	199.9	2.8	584.0	(2.0)
Single Business & Insurance Taxes	174.1	(5.1)	701.5	(9.4)	2,112.7	(5.0)
State Education Property Tax	215.3	8.6	496.9	8.9	1,548.0	3.9
Real Estate Transfer Tax	20.4	(7.7)	78.7	(9.6)	251.0	(0.8)
Estate/Inheritance Tax	12.4	11.7	55.6	2.4	127.0	(18.3)
Oil & Gas Severance Tax	2.3	(11.5)	8.4	(53.6)	43.0	(28.5)
<b>Total</b>	<b>\$1,492.2</b>	<b>(1.9)%</b>	<b>\$6,600.7</b>	<b>(1.0)%</b>	<b>\$20,677.6</b>	<b>0.7%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$126.1	(5.4)%	\$650.0	(3.5)%	\$1,557.9	(2.9)%
Net Lottery to School Aid <sup>4)</sup>	\$ 42.7	(1.1)%	\$233.9	(0.3)%	\$ 570.0	(2.9)%

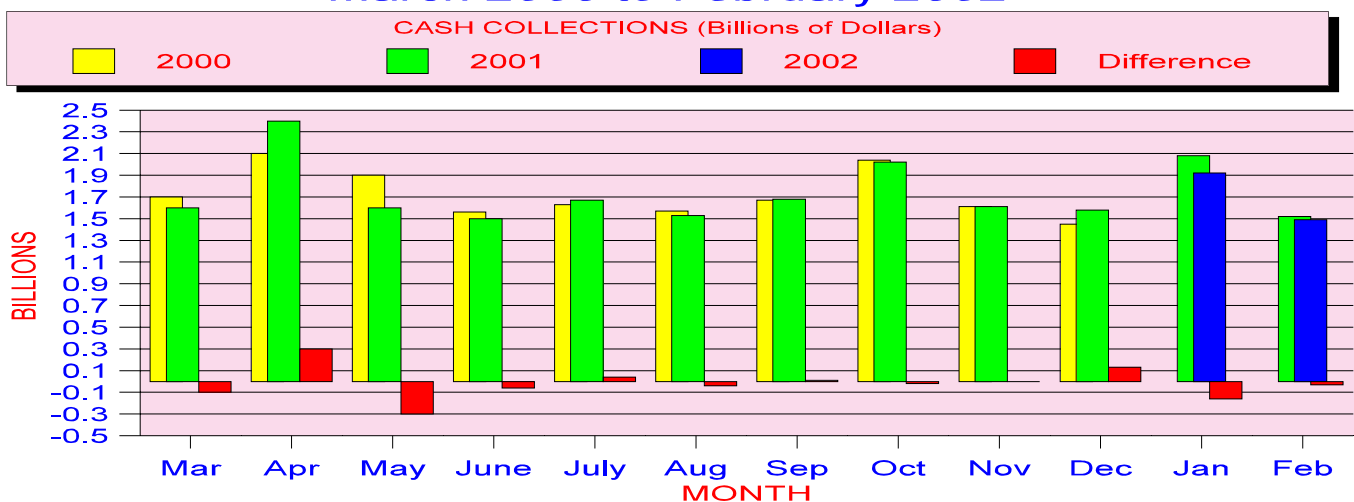
1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2001-02 year-to-date collections begin with November 2001 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the January 15, 2002, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2001-02 lottery revenue will include October 2001 to September 2002.

**Actual Revenue Collections for 12 Major State Taxes\***  
**March 2000 to February 2002**



\* Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.